

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 NSC-04 TRSE-00 CEA-01
FRB-03 INR-01 INRE-00 CIAE-00 SSO-00 NSCE-00 /021 W
-----151747Z 050907 /43 R
O 151720Z FEB 77
FM AMEMBASSY MADRID
TO SECSTATE WASHDC IMMEDIATE 9007

C O N F I D E N T I A L MADRID 1206

LIMDIS

E.O. 11652: GDS
TAGS: EFIN, SP
SUBJECT: PESETA DEVALUATION ARTICLE BY WALL STREET JOURNAL

REF: MADRID 1147

1. MONDAY'S WALL STREET JOURNAL ARTICLE PREDICTING A PESETA DEVALUATION BEFORE THE END OF MARCH HAS RECEIVED IMPORTANT PRESS COVERAGE HERE, AND HAS ALREADY TRIGGERED AN OFFICIAL DENIAL.

2. IN AN INTERVIEW FEATURED IN GOVERNMENT RADIO BROADCASTS TODAY (FEBRUARY 15), MINFIN DIRECTOR GENERAL FOR FINANCIAL POLICY SATRUSTEGUI CATEGORICALLY DENIED THAT THE PESETA WILL BE DEVALUED. HE SAID THAT A TEMPORARY INCREASE IN SPECULATION AGAINST THE PESETA CAN BE EXPECTED AS A RESULT OF CURRENT RUMORS, BUT THAT THIS WILL NOT TRIGGER A DEVALUATION. DOMESTIC ECONOMIC MEASURES, RATHER THAN A DEVALUATION WERE URGED BY SATRUSTEGUI.

3. MADRID NEWSPAPERS EL PAIS (LIBERAL) AND YA (CATHOLIC) THIS MORNING CARRIED ANALYSIS OF THE WALL STREET JOURNAL ARTICLE. BOTH ARTICLES MENTIONED JOURNAL'S ANALYSIS TO EFFECT THAT CAPITAL FLIGHT IS THE MAIN THREAT TO THE
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PESETA, AND NEITHER PAPER INDICATED ANY DISAGREEMENT WITH THE JOURNAL ARTICLE.

4. COMMENT: SATRUSTEGUI'S REACTION IS TOO QUICK TO REPRESENT A CONSIDERED RESPONSE, AND SATRUSTEGUI IS NOT OF CABINET RANK, ALTHOUGH HE WAS THE PRINCIPAL NEGOTIATOR OF THE AUGUST BILLION DOLLAR PRIVATE CONSORTIUM LOAN

FOR SPAIN. BUT HIS REACTION IS NORMAL OFFICIAL PUBLIC
RESPONSE TO AN ARTICLE SUCH AS THAT PUBLISHED IN THE
JOURNAL. IN ANY EVENT, THE JOURNAL ARTICLE CERTAINLY
WILL INCREASE THE PRESSURE ON THE GOVERNMENT TO TAKE SOME
ACTION EITHER TO PROTECT THE PESETA OR TO MOVE IT TO A MORE
REALISTIC RATE. STABLER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, PESETA, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Feb-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MADRID01206
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770053-1030
Format: TEL
From: MADRID
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770241/aaaabkdm.tel
Line Count: 68
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d33fcec6-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 MADRID 1147
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3321117
Secure: OPEN
Status: NATIVE
Subject: PESETA DEVALUATION ARTICLE BY WALL STREET JOURNAL
TAGS: EFIN, SP, WALL STREET JOURNAL
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d33fcec6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009